Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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PAGE 01 BUENOS 05970 151503Z
ACTION COME-00

INFO OCT-01 ARA-14 ISO-00 EB-08 AID-05 TRSE-00 OMB-01
L-03 /032 W
----------040037 151514Z /46
R 151213Z AUG 77
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 1757

UNCLAS BUENOS AIRES 5970

E.O. 11652: N/A
TAGS: BENC, AR
SUBJECT: MAJOR PROJECT: BAHIA BLANCA PETROCHEMICALS - POLISUR
LOW DENSITY POLYETHYLENE PLANT

REF: A) STATE 183758, B) BA-5728, C) BA-A-51, D) BA-3200,
(E) BA-5615-75; F) BA-5069-75

1. POLISUR S.A.M, ONE OF THE FIVE PLANTS OF THE BAHIA BLANCA PETROCHEMICAL COMPLEX IS TO PRODUCE LOW DENSITY POLYETHYLENE AND WILL HAVE A PLANT CAPACITY OF 20,000 MT/Y. COMPANY 70 PERCENT OWNED BY IPAKO AND 30 PERCENT BY FABRICACIONES MILITARES. PROJECT COST IS ESTIMATED AT US$84 MILLION. IMPORTED EQUIPMENT AND SERVICES WILL BE IN THE RANGE OF US$27.2 MILLION. WORK IS TO BE TENDERED IN THREE PACKAGES: 1) PROCESS ENGINEERING, 2) DETAIL ENGINEERING, AND 3) EQUIPMENT PACKAGE WHICH INCLUDES TUBULAR POLYMERIZATION REACOTRS, MEDIUM AND HIGH CAPACITY COMPRESSORS AND PRESSURE VESSELS.

2. ONCE THE GOA AUTHRORIZES INDUSTRIAL PROMOTION BENEFITS FOR THIS PROJECT (SEE BA-5728, OF AUG 5, 1977) AND THE IDB ACTS ON LOAN REQUEST (WHICH INCLUDES REQUEST FOR TWO OF THREE OTHER DOWNSTREAM COMPANIES OF COMPLEX), POLISUR WILL BE READY TO GO OUT FOR BIDS. ACCORDINGLY, IT
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PAGE 02 BUENOS 05970 151503Z

COULD BE MANY MONTHS BEFORE BIDS ARE CALLED FOR, AS THE IDB WILL UNDOUBTEDLY WISH TO HAVE PROJECT STUDY UPDATED IN VIEW OF TIME EXPIRED SINCE INITIAL LOAN REQUEST (MARCH 29, 1976).

3. KIPPERS/ARCO (K/A) OF THE UNITED STATES WAS PRE-SELECTED IN 1975 FOR THE AWARD OF THE PROCESS

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

CONTRACT. CLOSE CONTACTS BETWEEN POLISUR AND KOPPERS/ARCO HAVE BEEN MAINTAINED, TO THE POINT THAT WE UNDERSTAND MOST PROCUREMENT DECISIONS HAVE BEEN TAKEN. PRESELECTION OF EQUIPMENT SUPPLIERS BY K/A HAS NO FORMAL SIGNIFICANCE NOW, OF COURSE, AS IDB FINANCING IMPLIES AND INTERNATIONAL BID CONTEST. NEVERTHELESS, POLISUR OFFICIALS INDICATE THEY CONTINUE TO FAVOR K/A. THE REASONS FOR THEIR PREFERRING K/A ARE THREEFOLD: A) LOWER PRICE; B) THE K/A PROCESS HAS RECENTLY BEEN UPGRADED, AND C) THERE ARE STRONG TIES BETWEEN K/A AND IPAKO, WHICH IS A FORMER KIPPERS SUBSIDIARY.

4. POLISUR HAS AN OFFER FOR A TURN-KEY INSTALLATION WITH FINANCING BY ATO-CHIMIE OF FRANCE AND A VERY RECENT OFFER FROM BASF OF WEST GERMANY WITH PARTIAL FINANCING. POLISUR OFFICIALS HAVE STATED THAT SHOULD IDB FINANCING NOT BE FORTHCOMING, THEY COULD BE FORCED TO CONTRACT WITH ATO. IN THIS CASE EQUIPMENT SUPPLIERS WOULD BE FRENCH, SWISS AND W.GERMAN. THERE IS NO REASON TO BELIEVE THAT IDB FINANCING WILL NOT BE FORTHCOMING AT THIS POINT, HOWEVER, AND POLISUR OFFICIALS ARE NOT PRESSED FOR TIME. THE PLANT CANNOT BEGING PRODUCTION UNTIAL GAS SEPARATION PLANT AT GENERAL CERRI, (WHICH PROVIDES RAW MATERIAL FOR PBB PLANT, WHICH IN TURN FEEDS
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SATELLITES) IS COMPLETED. CERRI HAS ONLY NOW BEGUN THE CONSTRCTION PHASE. (PBB, HOWEVER, IS COMPLETE AND WILL BE UNDERGOING AN EXPANSION WITHOUT EVER HAVING BEEN PUT INTO PRODUCTION WHILE THE COMPLETION OF CERRI IS AWAITTED).

5. IDB LOAN PORTION TO POLISUR IS US$22 MILLION ORDINARY CREDIT (O.C.) AND PART OF A US$7.4 MILLION COMPLEMENTARY FINANCING CREDIT (C.C.). O.C. WILL BE ALLOCATED TO EQUIPMENT PRCHASES, FOLLOWING INTERNATIONAL BIDDING. THE REMAINDER OF THE C.C. WILL BE ASSIGNED TO PAY FOR BASIC ENGINEERING.

6. BREAKDOWN OF TOTAL PROJECT FINANCING AS FOLLOWS: IDB: 27.3 PERCENT (O.C.) PLUS 9.2 PERCENT (C.C.); FOREIGN BANK (REPORTEDLY MORGANL; 8.1 PERCENT; ARGENTINE NATIONAL DEVELOPMENT BANK: 23.6 PERCENT; SUPPLIERS CREDITS: 2.7 PLUS 3.4 PERCENT; OWN CAPITAL 25.7 PERCENT; TOTAL 100 PERCENT.

7. IS IS THE OPINION OF THE IDB OFFICIAL IN BUENOS AIRES WHO IS FOLLOWING THIS PROJECT THAT IN THE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

PRESENTLY UNLIKELY EVENT THAT POLISUR PROJECT IS AWARDED TO THE FRENCH, THE IDB PORTION WOULD NOT BE APPLIED TO OTHER BAHIA BLANCA PROJECTS. IT IS MORE LIKELY THAT A PROPORTIONAL PORTION OF CREDIT WILL BE DEDUCTED FROM THE IDB PACKAGE.

8. THERE ARE NO SPECIAL REQUIREMENTS ANTICIPATED FOR LOCAL CONTENT OF EQUIPMENT OR LOCAL JOINT VENTURES SINCE IT IS EXPECTED THAT PROJECT WILL BE GRANTED BENEFITS OF INDUSTRIAL PROMOTION LAW ALLOWING DUTY FREE IMPORTATION OF CRITICAL EQUIPMENT.

9. EMBASSY FIRST REPORTED PBB SATELLITE COMPLEX PROJECT IN BA-5069 OF JULY 29, 1975. NEXT STATUS REPORT WAS UNCLASSIFIED

UNCLASSIFIED

PAGE 04 BUENOS 05970 151503Z

ON AUG 21, 1975 (BA-5615). THERE FOLLOWED A PERIOD OF STAGNATION ON THE PROJECT DUE TO AND COINCIDENT WITH THE POLITICAL AND ECONOMIC CHAOS WHICH ACCOMPANIED THE DECLINE AND FALL OF THE PERONIST REGIME - FOLLOWED BY THE ASSUMPTION OF POWER OF THE PRESENT MILITARY REGIME, WHICH SPENT ITS FIRST YEAR TRYING TO PUT THE COUNTRY AND THE ECONOMY BACK TOGHETHER. AS COMMERCE/MEPD AWARE EMBASSY PUDATED INFO ON THESE PROJECTS IN INDUSTRIAL OUTLOOK REPORT ON CHEMICALS ON MAY 5, 1977 (A-51) AND JUST RECENTLY SUBMITTED ANTOERH STATUS REPORT (BA-5728 OF AUG 2, 1977).

10. ADDITIONAL DETAIL ON THIS AND OTHER PLANTS PLANNED FOR THE PBB COMPLEX ARE AVAILABLE IN THE IDB PROJECT "SUMMARY" DOCUMENT DATED JULY 7, 1976 (NO. AR-0044) PRODUCED BY THE IDB'S SUBDIRECTORATE FOR OPERATIONS - REGION II. WE PROSUME THIS DOCUMENT IS AVAILABLE TO MEPD. OUR ONLY COPY IS IN SPANISH - OTHERWISE WE WOULD POUCH TO YOU.

11. THE INDUSTRIAL PROMOTION LAW HAS FINALLY BEEN APPROVED BY THE GOA. THIS LAW PROVIDES FOR THE POSSIBILITY OF SPECIAL PROMOTION REGIMES FOR SPECIFIC SECTORS OF THE ECONOMY. WE DO NOT EXPECT THAT A SPECIAL PROMOTION REGIME WILL BE PUBLISHED FOR THE PETROCHEMICAL SECTOR AS A WHOLE. RATHER, INCENTIVES WILL BE GIVEN ON CASE-BY-CASE BASIS. WE BELIEVE THE GOA WILL PUBLISH A SPECIAL PROMOTION REGIME FOR THE BAHIA BLANCA COMPLEX WHENEVER THE PROBLEMS DISCUSSED IN REF. (A) ARE RESOLVED.

12. EMBASSY WILL ATTEMPT TO IDENTIFY COMPONENTS
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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

FOR WHICH BIDDERS MUST PROVIDE SUPPLIER
CREDITS IN IDB PACKAGE.
CHAPLIN

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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Attributes

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Review Transfer Date:
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Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECT: BAHIA BLANCA PETROCHEMICALS - POLISUR LOW DENSITY POLYETHYLENE PLANT
TAGS: BENC, AR
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/ef20f25a-c288-dd11-92da-001cc4696bcc
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